

SUBWAY FARE BOOST ONLY TO HELP I. R. T. GET "PREFERENTIAL"

(Continued From First Page.)

The contract, exclusive of compound interest, will amount to over \$116,000,000.

The actual cost of the subway to the subway corporations up to date is \$121,000,000.

If the city were to lay aside annually about \$25,000,000 or \$30,000,000, in ten years from now, the first date of recapture, the amount to be paid by the city would be a little over \$200,000,000, including the preferentials, and then the city would have the chance by owning the subway to make the profits of thirty-nine years thereafter and not need to share with the corporation.

The wise Legislature need only to enact such legislation as would exempt from the debt limit provision the raising of recapitalization, which was done as to the bonds issued to build the present subway and to construct docks. This will enable the city easily to use its money quickly and surely at the first opportunity of recapture.

The interview I sought with Mr. Shonts was not on increased fares, but on the possibility of New York City securing the tremendous revenue from the surplus electric power of the subway, which annually amounts approximately to 1,000,000,000 kilowatt hours, over the amount necessary to run the roads—a surplus, the immense volume of which exceeds all the power necessary to run all the public utilities under the Public Service Commission, including the Edison Company.

The entire power matter was set forth in The Evening World at the time of my talk with Mr. Shonts, but the reason Mr. Shonts insisted on talking on increased fares at that time, he told me, was that the two vital propositions "dovetailed."

In other words, the gist of Mr. Shonts's proposal to the city, for which he urged me to arouse public opinion was this:

"You (the city), give us an increased fare and we will give you such a tremendous revenue from the surplus power as will assure us of our 'preferentials' and will enrich your treasury."

Mr. Shonts strongly asserted that the subway would get its "preferentials" anyway at the end of forty-nine years, with compound interest, but it was a long time to wait.

Also Mr. Shonts made it unmistakably clear that he knew of no reason why the city couldn't sell this electric power, exclusive of the increased fare business, except perhaps a little legislation necessary to empower the city without question to sell to consumers.

Mr. Shonts made it plain that this legislative matter could be worked out by Mr. Quackenbush, their attorney, but he suggested it might better not come from the subway corporation but rather from the public, since he thought it would be assumed that the subway would get more advantage out of this than the city.

I believe Mr. Shonts said that Mr. Quackenbush had already prepared something in the shape of legislation, but that we (the public) ought better use it in the Legislature ourselves.

RAISING THE "PREFERENTIAL" MEANT INADEQUATE SERVICE.
This "preferential" of \$6,335,000 and its accumulative effect on the city was well set forth by Public Service Commissioner Miles R. Mallie at the time the contracts were before that body.

"Whatever may be the changes in the finances of the present subway, it is evident that true net earnings cannot reach \$6,335,000 in any one year after 1917 unless inadequate service is given, congestion increased, the length of the average ride decreased or operating expenses decreased.

"As the Interborough Company and the interests that control it hold the majority of the stock in the principal subway car lines of Manhattan and Queens and lease the elevated roads, it will be to the interest of the Interborough Company in any arrangement between the various companies to favor the surface and elevated lines at the expense of the subway, where the loss will be borne by the city alone.

"As all expenses and preferentials are to be deducted before the city receives anything upon its new investment, any increase in expense results directly in a reduction of the city's share. Thus, if a national income tax is levied upon all companies, it will

virtually be paid in this case by the city.

"The guarantee of \$6,335,000 is based upon earnings from inadequate service and inadequate congestion.

"But the guarantee to the company will remain at \$6,335,000, no matter what may happen. It should be noted, further, that if the company provides better service after the beginning of the new contract, the city will bear the expense. The payments to the company will not be decreased, but as the expenses will increase, much increase must be deducted from the amount payable to the city.

"Take, for example, the terms upon which the city may recapture the property, and assume that the bonds were sold so as to net the company \$7 instead of \$11. In that case the profit to the company in case of recapture by the city at the earliest date permitted would be about \$14,000,000. If recapture were delayed to the fortieth year of the contract, the company would have amortized all of its bonds, even if they were all redeemed at 110, which is too high, and the amount to be paid by the city would be \$21,000,000, a clear profit to the company.

"If recapture were delayed until the end of the lease, when the city would pay nothing for the property, the company would have amortized all of its bonds and built up a surplus of over \$48,000,000, which represents the excess accumulations of the sinking fund during the last years of the lease under the terms of the contract. That profit would not be shared with the city either directly or indirectly."

MEANT A BIG DEFICIT IN BROOKLYN.

Speaking of the Brooklyn system, Commissioner Mallie said:

"Although, according to the company's estimates of earnings, the income from the system will be sufficient in the twelfth year, or thereabouts, to pay its preferentials and fixed charges upon the city's investment, the cumulative deficits for the preceding years even without interest will be probably about \$30,000,000. On the assumption that the traffic will steadily increase, this deficit will decrease year by year after the twelfth year, but it will be many years thereafter before the deficit will be entirely wiped out and the system becomes self-supporting. In the mean time the deficits must be met, either by taxation or by the issuance of city bonds. If the former, the taxpayers will be heavily burdened; if the latter, the borrowing capacity of the city will be greatly reduced.

"In case the city recaptures the third tracks and extensions subsequent to the expiration of the subway lease, it will have to pay large sums for the elevated structures, although their cost will have been completely amortized. For example, if the city desires to exercise this right at the time of the expiration of the subway lease, it will have to pay an amount equal to at least 52 per cent. of original cost, although the whole cost has been amortized ahead of any payment to the city of interest and sinking fund charges on the city's large investment.

"In case of recapture by the city at the expiration of the subway lease or at any time thereafter, the city will have to pay for the property, which

has been fully amortized on a basis as unfavorable as under the Brooklyn elevated certificates.

"The Interborough contract virtually provides for a guaranty to the company by the City of New York for forty-nine years of all operating expenses, taxes, etc., a lump sum of \$6,335,000 and 6 per cent. upon all new money provided by the company. The city is to put over \$10,000,000 into the project and not to receive a farthing on this investment until the company has received all of these payments for each and every year which deficits are accumulative at compound interest.

"The Interborough Company will be guaranteed clear profits of \$6,335,000 for over eleven years beyond contract No. 1 and twenty-three years beyond contract No. 2. Thus the city is to surrender the prospect of large profits or much more favorable contracts after 1943 and 1964 and to substitute therefor its guaranty that the company shall have all that it can earn until 1917 and \$6,335,000 for each year thereafter.

"Assuming that in 1943 and 1964 the terms for the renewal period would reduce the profit to the operator to 7 per cent. upon \$48,000,000, which the company asserts represents its original investment, the company will receive under the terms of the pending proposal upward of \$45,000,000 over and above a reasonable profit of 7 per cent. after 1943 and 1964 respectively.

"The Interborough Company will obtain no further profit beyond its preferentials, and as subsidiary and affiliated companies will not share their profits with the city, there will be a strong inducement to shift much of the profitable work that would or

could be done by the parent company to the subsidiaries.

"The Interborough contract offers no incentive or reward for efficient and economical operation, but invites waste, inefficiency and political manipulation. After several years have passed under the new contract, the company will earn operating expenses, etc., the guaranty of \$6,335,000 and carrying charges upon the new company, which the company is to provide.

"But the company is to receive nothing further until the city has been paid 8.76 per cent. upon its money for each and every year, the early deficits with interest thereon being compounded semi-annually. The company will have received about 8 1/2 per cent. upon the funds which it has provided, old and new, as a first lien upon the income; but it is practically certain that the company will receive no further sums before the termination of its contract.

"If such being the case, it is evident that after the company has earned enough to pay its share the incentive to operate the railroad economically and efficiently will be gone. The company's share will not be increased by economy and efficiency and it will not be decreased by waste and inefficiency. Large salaries may be paid to officers and directors. Supplies may be purchased at high figures. Political demands may be granted. Unnecessary officers and employees may be put upon the payroll. Every such increase in expense after a few years will not reduce the company's return; it will be paid virtually by the city, for the city will receive no interest until all such expenses are paid."

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NO TRACE OF GIRL, ARMED MEN STOLE

Mother Says She Has Not Seen Anna King in Months—Search for Her Continued.

Those engaged in the search for Anna King, the girl kidnapped by armed men from the home of Louis Albohn in Brooklyn, are today still without clue to her whereabouts. One of the kidnapers said he was Walter Joseph, and claimed to be Anna's husband, but none of the Albohn family knows whether she is married to him or not. Anna's mother, Mrs. Lena Drossmeier, who was found today at No. 308 East 155th Street, said she had not seen her daughter in months. Walter Joseph's mother, who lives at No. 471 East 154th Street, likewise said it had been a long time since she had seen her son, but she understood that he had married some one.

FORTY-EIGHTH DAY OF FAST COMPLETED

THIS DALLAS, Tex., Feb. 8.—George F. West, charged with having slain his wife three months ago, has completed his forty-eighth day without food, according to physicians at the hospital where he has lain since an attempt to take his own life by drinking acid. The doctors also said that West had not taken more than two quarts of water in all during his fast. He is so badly burned internally that he cannot swallow anything.

CHRISTMAS 8-11 WITH CIDER. PORTSMOUTH, N. H., Feb. 8.—Franklin D. Roosevelt, formerly Assistant Secretary of the Navy, yesterday attended the launching of the submarine S-11 at the navy yard here. His daughter, Miss Anna E. Roosevelt, was the sponsor for the craft, over the bow of which she broke a bottle of cider. Miss Roosevelt received a gold wrist watch from Capt. Louis D. Stidger, Commandant of the yard, in behalf of the employees.



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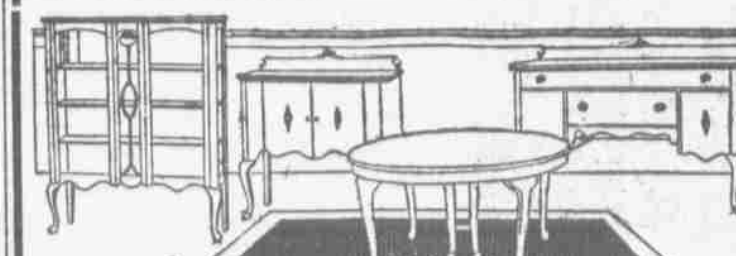
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